

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 7805

Petition of Woodstock Aqueduct Company pursuant)
to 30 V.S.A. § 108 for Approval to issue new long-)
term debt in the amount of \$100,000 and new)
revolving debt in the amount of \$25,000, and to)
refinance and combine existing long-term and short-)
term indebtedness in the approximate aggregate)
amount of \$233,010)

Order entered: 11/10/2011

I. INTRODUCTION

On October 31, 2011, the Woodstock Aqueduct Company ("WAC" or "the Company") filed a petition (the "Petition")¹ with the Vermont Public Service Board ("Board") for approval pursuant to 30 V.S.A. § 108 to issue new long-term debt in the amount of \$100,000 (the "Loan"), to establish a new revolving credit line in the amount of \$25,000 ("Credit Line"), and to refinance and combine existing short-term debt and long-term debt in the approximate aggregate amount of \$233,010 ("Loan Refinance"). WAC represents that the new Loan is necessary in order to fund repairs made to the Company's utility infrastructure as a result of storm damage caused by Hurricane Irene. In addition, WAC expects that the Loan Refinance and Credit Line will allow WAC to amortize its existing debt, and provide the Company with a source of working capital, at a significantly lower rate of interest. Lake Sunapee Bank, FSB ("Sunapee") has agreed to finance the proposed transaction which will be secured by a first lien on substantially all of the Company's utility property. The Petition was supported by a commitment letter issued by Sunapee.

1. WAC did not file a formal petition in this proceeding. WAC's filing consisted of a one-page letter briefly describing the proposed transaction with an attachment consisting of a copy of the commitment letter from Lake Sunapee Bank, FSB. For the purposes of this Proposal for Decision, I will treat WAC's letter as the "Petition" in this docket.

On November 2, 2011, the Department of Public Service ("DPS") informed the Board by letter that it believes that the proposed financing transaction as set forth in the Petition is consistent with the general good of the state, and recommends approval of the Petition without a hearing.

The parties have waived the opportunity for review of the Proposal for Decision, briefing, and oral argument, in accordance with 3 V.S.A. § 811.

I have reviewed the Petition and the supporting document. I conclude that approval of WAC's Petition pursuant to 30 V.S.A. § 108 is appropriate and that such approval may occur without hearing. Based upon the evidence of record and the filings presented in this docket, and the DPS letter of November 2, 2011, I hereby report the following findings and conclusion to the Board in accordance with 30 V.S.A. § 8.

II. FINDINGS

1. WAC is a water system utility serving the Town of Woodstock, Vermont. Petition at 1.

2. WAC recently sustained significant storm damage to its distribution system from Tropical Storm Irene. As a result, repairs had to be made to river crossings, pumps, motors, and operating systems in order to restore service to WAC's customers. Although most of the repairs have been completed, additional work, including winterization, needs to be performed before the system can return to normal operation. Petition at 1.

3. As a private company, WAC does not qualify for assistance from the Federal Emergency Management Agency ("FEMA") to defray the costs of the repairs to WAC's distribution system. Consequently, WAC requests approval to finance the costs of the repairs with a long-term bank loan in the amount of \$100,000, and to obtain a new revolving credit line in the amount of \$25,000 for working capital needs. Included as part of the financing request, WAC also proposes to refinance its existing long-term debt in the current amount of \$181,010, and to pay off its existing credit line in the amount of \$50,000, resulting in a new term loan in the amount of \$233,010 (including \$2,000 in loan closing costs). Petition at 1; commitment letter of Lake Sunapee Bank dated 10/19/11 at 1.

4. The terms offered by Sunapee for the Loan, the Credit Line, and the Loan Refinance are summarized as follows:

	<u>Loan</u>	<u>Credit Line</u>	<u>Loan Refinance</u>
Amount:	\$100,000 ²	\$25,000	\$233,010
Term:	16 years	2 years	15 years
Interest Rate: ³	3.75%	Prime Rate	5.00%
Monthly Payment:	\$727.22	Interest-only	\$1,842.63

All of the above loans are to be secured by a first lien on substantially all of the Company's utility property. Commitment letter of Lake Sunapee Bank dated 10/19/11 at 1-3.

5. WAC should realize savings in annual interest expense of approximately \$5,430⁴ as a result of the proposed Loan Refinance since WAC's existing long-term debt is priced at an interest rate of 8.00% and the Loan Refinance is priced initially at 5.00%. Petition at 1; commitment letter of Lake Sunapee Bank dated 10/19/11 at 1.

6. WAC expects to file for approval of a rate increase with the Board in the near future to cover its increased debt servicing costs related to the proposed Loan. Petition at 1.

III. DISCUSSION & CONCLUSION

Based upon the foregoing and the evidence in the record, I find that WAC's Petition as described above will be consistent with the general good of the State. I therefore recommend that the Board approve the Petition and authorize the refinancing without hearing.

The parties have waived their rights to file exceptions and present arguments under 3 V.S.A. § 811. Therefore, the proposal for decision has not been served on the parties.

2. The new Loan will be initially structured as a non-revolving credit line to be disbursed in increments up to the face amount of the loan to support various costs associated with the storm damage repairs. As such, the payment schedule for the Loan will be interest-only for the first year then automatically converting to principal and interest payments for the remainder of the term. Commitment letter of Lake Sunapee Bank dated 10/19/11 at 2.

3. The interest rate for the new Loan is to be fixed at 3.75% for ten years then repriced each year thereafter until maturity at the prevailing Federal Home Loan Bank 1 Year Advance Rate plus a margin of 3.25%. The interest rate for the Credit Line will be the prevailing Prime Rate adjusted quarterly. The Loan Refinance will be priced at a fixed interest rate of 5.00% for the first five years then repriced in five-year increments at the prevailing Five-Year Constant Maturity Treasury Rate Index plus a margin of 3.00% for the remaining term.

4. Hearing Officer's estimate of potential savings calculated as: $\$181,010 \times 3\% = \$5,430$.

Dated at Montpelier, Vermont this 8th day of November, 2011.

s/Jay E. Dudley

Jay E. Dudley

Hearing Officer

IV. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings, conclusion and recommendation of the Hearing Officer are adopted.
2. The request for financing as set forth in the Woodstock Aqueduct Company's ("WAC" or "the Company") Petition in this docket and as described in the Findings is consistent with the general good of the State of Vermont.
3. Pursuant to 30 V.S.A. § 108, consent is hereby given to WAC to refinance existing long-term and short-term debt in a total amount not to exceed \$233,010 (including loan closing costs in the amount of \$2,000), to issue new long-term debt in an amount not to exceed \$100,000, and to establish a new line of credit in the amount of \$25,000, all in accordance with the terms and rates consistent with the Findings above.
4. This Order does not constitute approval of WAC's capital structure or of any particular capital or operating expenditure that may be implemented with the proceeds from the issuance of long-term debt contemplated in the Petition in this docket. Nothing in this approval shall preclude the Vermont Department of Public Service ("DPS") or any other party, or the Vermont Public Service Board ("Board"), from reviewing or challenging such expenditures or the Company's resulting capital structure.
5. WAC shall inform the Board and the DPS of any material change in the terms and conditions of the refinancing, if any, prior to closing.
6. WAC shall provide the Board and the DPS with a complete set of final loan closing documents within 10 days of the loan closing.

Dated at Montpelier, Vermont, this 10th day of November, 2011.

<u>s/James Volz</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: November 10, 2011

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: psb.clerk@state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.